

A CONVERSATION ABOUT THE OCTOBER PAYROLLS REPORT

November 19, 2020

Topics: [Market and Economics](#)

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Overheard on the NISA trading floor, Friday, November 6, 2020.

Jess Yawitz: "Another strong payrolls report this morning, eh?"

Stephen Douglass: "Yep, the jobs recovery continues to surprise to the upside. The details were even better than the headline figure too."

JY: "How so?"

SD: "Well the headline figure showed a 638,000 gain in nonfarm payrolls in October but the government sector subtracted 268,000 jobs. So private payrolls increased by 906,000 which was well above expectations. And 147,000 of the decline in government employment was caused by laying off census workers that had been temporarily hired over the summer."

JY: "Interesting. What parts of the private sector performed the best in October?"

SD: "The strongest growth was in the service sectors that have been most impacted by the pandemic: restaurants, accommodation, retail, even transportation. Of the 906,000 in private sector job growth, 783,000 came from services industries."

JY: "Wow, so all those temporary layoffs from the springtime are turning out to be... temporary?"

SD: "So far so good. We've recovered almost 15 million of the 17.3 million increase in temporary layoffs that occurred in March and April. As [we've been saying](#), this was not a normal business cycle recession, it was a voluntary shutdown of an otherwise healthy economy.

Even more promising for the outlook going forward: the raw number of permanently unemployed workers actually *declined* in October for the first time since the recession began. This should alleviate, for this month at least, concerns that permanent job destruction would spike as uncertainty from the pandemic drags on. While the recent surge in the virus raises the risk that the labor market will deteriorate before a vaccine is widely available, it has not yet shown up in the data."

JY: "I also noticed that the unemployment rate fell by a full percentage point. How is that possible if there were only 638,000 jobs added?"

SD: "The monthly payrolls report, officially called the Employment Situation Report, consists of two separate surveys. The establishment survey collects data from 145,000 firms and produces the nonfarm payrolls figure as well as hours worked and earnings across all industries in the economy. The household survey samples 60,000 households to produce estimates of the labor force and employment status of all Americans. In October, the household survey reflected job growth of 2.2 million, well above the 638,000 job growth from the establishment survey. This caused the unemployment rate to fall to 6.9% despite a 724,000 person increase in the labor force."

JY: "Wow, 2.2 million?! This all sounds like great news! Why doesn't the media report it that way? Do they not understand it?"

SD: "No clue, and no comment."

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